



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
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AVAILABILITY OF MODIFIED TEXT

NOTICE IS HEREBY GIVEN that the California Board of Accountancy has proposed modifications to the text of Section 4 in Title 16 California Code of Regulations which was the subject of a regulatory hearing on January 27, 2012. A copy of the modified text is enclosed. Any person who wishes to comment on the proposed modifications may do so by submitting written comments on or before April 30, 2012, to the following:

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DATED: April 13, 2012

ON FILE

Patti Bowers, Executive Officer
California Board of Accountancy



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15-DAY NOTICE OF MODIFICATIONS TO TEXT OF PROPOSED REGULATIONS

FINGERPRINTING AND DISCLOSURE REQUIREMENTS

Pursuant to the requirements of Government Code section 11346.8(c), and California Code of Regulations, Title 1, Section 44, the California Board of Accountancy (Board) is providing notice of changes made to the above entitled proposed regulation. The proposed modifications are highlighted in double strikethrough and double underline format. Specifically, a sentence stating that if certain services are desired, a licensee of the Board would be needed to perform them is being stricken. Additionally, the word "compiled" is being added to the sentence denoting services that have not been performed by the preparer of the financial statements.

The Board is making the change to Section 4 due to public comments that indicated the stricken sentence could be misconstrued as advertising for a Certified Public Accountant. In addition, the Board wanted to make clear that compiling financial statements requires licensure by the Board.

PROPOSED REGULATORY LANGUAGE

Section 4. Safe Harbor Language.

A person who is not licensed by the California Board of Accountancy, and who prepares a financial report in a form substantially the same as that set forth in subsection (a) or (b) below, shall not be deemed to be engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code.

(a) "I [we] have prepared the accompanying financial statements of [name of entity] as of [time period] for the [period] then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management [owners].

I [we] have not audited, ~~or reviewed,~~ or compiled the accompanying financial statements, ~~and accordingly I [we]~~ do not express an opinion or any other form of assurance on them.

~~I [We] am [are] not licensed, nor required to be licensed, by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."~~

(b) "We [I] have prepared the accompanying statement of assets, liabilities and equity for [name of company] as of [month-day-year], together with the related statements of

revenue, expense, [and cash flow] for the year [or month] then ended on the income tax basis of accounting.

The preparation of financial statements on the income tax basis of accounting is limited to presenting information that is the representation of management [the owners]. We [I] have not audited, ~~nor reviewed, or compiled~~ the accompanying statements. ~~Accordingly, we~~ We [I] do not express an opinion or any other form of assurance on them.

Management has [The owners have] elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenues, expenses [and cash flow]. Accordingly, these financial statements are not designed for those who are not informed about such matters.

~~We [I] are [am] not licensed, nor required to be licensed, by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."~~

Note: Authority cited: Sections 5010, Business and Professions Code. Reference: Sections 5051 and 5052, Business and Professions Code.